

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

770 L Street, Room 1160
Sacramento, CA

Minutes of Meeting
May 19, 2011

COMMISSIONERS PRESENT

Daniel Eaton
Fran Florez
Diane Griffiths
Marvin Kropke

CMAC STAFF PRESENT

J. Keith Berger, Executive Director
Tacia Carroll
Paul Cerles
Nathan Davis
Keith Farley
Dana Griggs
Marilyn Nishikawa
Mike Tagupa
Becky Swol
Karen Thalhammer

COMMISSIONERS ABSENT

Michele Burton, M.P.H.
Vicki Marti

EX-OFFICIO MEMBERS PRESENT

Richard Sanchez, Department of Health Care Services
Robert Nelson, Department of Finance

EX-OFFICIO MEMBERS ABSENT**I. Call to Order**

The May 19, 2011 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Commissioner Eaton. A quorum was present.

II. Approval of Minutes

The May 5, 2011 meeting minutes were approved as prepared by CMAC staff.

III. Approval of CMAC's 2011 Annual Report to Legislature

Commissioner Eaton asked if there was any additional information from Mr. Berger before consideration of approval of the 2011 Annual Report to the Legislature.

Mr. Berger informed CMAC that prior to the last CMAC meeting a draft of the proposed 2011 CMAC Annual Report to the Legislature was provided to the Commission for review and comment. No changes were identified or made to the draft.

Mr. Berger reported that the 2011 CMAC Annual Report outlines the success of the Selective Provider Contracting Program (SPCP) over the last twenty-eight years. Competitive contracting has maintained continued hospital access for the Medi-Cal beneficiaries to hospitals for inpatient care while providing efficient and cost-effective use of State General Fund dollars. He reported the estimated General Fund savings during the current fiscal year is over \$500 million, with total accrued savings over the twenty-eight years of \$12.0 billion.

Mr. Berger indicated that CMAC staff had provided the Commissioners with a copy of the final version of the report and he recommended the Commissioners approve the final report as submitted. At this time, the 2011 CMAC Annual Report to the Legislature was unanimously approved by the Commissioners.

Mr. Berger thanked the Commissioners and noted the staff would move forward with distribution of the report to the Legislature. He also noted that copies will be sent to those individuals and organizations who are included on the CMAC's standard distribution list, and that a copy will be placed on the CMAC website.

IV. Executive Director's Report

Mr. J. Keith Berger, Executive Director, noted that CMAC would hear an overview from the Department of Finance ex-officio member on the Governor's May Revision. He did mention that one proposal in the May Revision, which has direct impact on CMAC, calls for the elimination of the CMAC commission structure during the next fiscal year. The proposal is, when that event takes place, if the new hospital inpatient Diagnostic-Related Group (DRG) reimbursement methodology is not yet implemented, current CMAC staff would then report to the Secretary of the Health and Human Services Agency. Once the DRG methodology is fully implemented, then the SPCP would cease and the CMAC staff positions would be transferred to the Department of Health Care Service (DHCS).

V. Department of Health Care Services (DHCS) Report

Richard Sanchez, DHCS, had nothing new to report, although he addressed Commissioner Griffiths' questions from the May 19, 2011 Commission meeting regarding issues raised by the Center for Medicare and Medicaid Services (CMS) in response to the State Plan Amendment (SPA) submitted by DHCS requesting an extension of the hospital quality assurance fee (QAF). Mr. Sanchez explained that CMS wanted clarification regarding the fiscal impact, where the data was acquired and had questions on the language within the Welfare and Institution Code. He also informed Commissioner Griffiths that there were no fundamental concerns or any statutory changes expected to be required.

VI. Department of Finance (DOF) Report

Robert Nelson, DOF, reported on the Governor's May Revise. He started by noting that back in the month of February of this year there was a \$26.6 billion deficit. The earlier Budget Conference Committee came up with \$13.4 billion in decreases of budget expenditures. In addition, tax revenues received by the State have increased by the \$6.6 billion. With additional spending and dropping the Proposition 10 proposal for a \$1 billion shift to Medi-Cal, there is a \$9.6 billion deficit remaining and, the need to build a reserve of \$1.2 billion, resulting in a need for \$10.8 billion in budget solutions right now.

He continued with his report by noting the proposal to eliminate CMAC is part of the broader set of proposals in the Governor's May Revise to eliminate of 43 boards, commissions, task forces, offices and departments as the Administration looks for ways to streamline state service.

On the Medi-Cal side, he reported that the proposals include the extension of the hospital fee programs, which would extend the existing hospital fee through FY 2011-12. The State will receive \$320 million to offset a like amount of General Fund costs in 2011-12. Fee revenue is used to draw down matching federal dollars to provide supplemental payments to hospitals and to lesser degree to provide General Fund relief.

Additionally, the recently approved Medi-Cal demonstration waiver provides for up to \$400 million in savings annually that can be claimed with expenditures in state-only programs. Current projections are that the State will fall short of that level in the current year. The May Revise proposes a variety of different options to get back up to the \$400 million.

Another proposal is to shift Healthy Families Children to Medi-Cal.

The State wants to begin receiving a share of the voluntary intergovernmental transfers (IGTs) received from seventeen counties that operate Medi-Cal managed care plans. Under this proposal, the State would assess a fee of 20 percent of the transferred

funds and the remaining funds would be used to draw down matching federal funds to provide rate increases to the plans.

Also in Medi-Cal managed care programs, there is a proposal to limit Medi-Cal beneficiaries from switching managed care plans more than once annually. This change would match Medi-Cal policy to what's done by CALPERS and other major managed healthcare providers.

Commissioner Griffiths asked about the fiscal impact of the shift of Healthy Families to Medi-Cal. Mr. Nelson responded that they have scored it at \$31.2 million in General Fund savings in FY 2011-12, but that the calculations are tricky and that DOF is presently working on figures that break down the savings and, when it is finalized, he would share that information with the Commission.

VII. Public Comments/Adjournment

Hrant Kouyoumdjian, Ph.D., Health Care Management Consulting, wanted to take the opportunity to address questions to DOF and DHCS.

Mr. Kouyoumdjian asked if there would be any change to the dollar amount to the Private Hospital Supplemental Fund in the FY 2011-12 budget. Mr. Cerles, Deputy Director and Supervising Negotiator of CMAC and Mr. Sanchez of DHCS responded that no change was proposed in the May Revise.

Mr. Kouyoumdjian asked DHCS if the DRG development meetings would be available online. He noted that he heard that the methodology would not be hospital specific but based on regional rates. He was concerned for those clients that are not a member of the California Hospital Association (CHA) but want to be involved in receiving information, and asked how those hospitals could do that. Mr. Sanchez responded that he did not know but agreed to get back to Mr. Kouyoumdjian with a response.

There being no further public comments, Commissioner Eaton recessed the open session. Commissioner Eaton opened the closed session, and after closed session items were addressed, adjourned the closed session at which time the Commission reconvened in open session. Commissioner Eaton announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.